

## Message Text

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ACTION EUR-12

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AMEMBASSY MOSCOW  
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UNCLAS STOCKHOLM 0298

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E.O. 11652: N/A  
TAGS: EIND, ETRD, HU, SW, UR  
SUBJECT: ANNUAL MEETING OF JOINT SOVIET-SWEDISH INDUSTRIAL  
COLLABORATION COMMISSION AND SWEDISH TRADE TALKS WITH  
HUNGARY

REF: STOCKHOLM 0037

1. THE SWEDISH PAPERS OF JANUARY 21 CARRIED ACCOUNTS OF THE  
SEVENTH ANNUAL MEETING OF THE JOINT SOVIET-SWEDISH COMMISSION  
FOR ECONOMIC, TECHNOLOGICAL, AND SCIENTIFIC COLLABORATION,  
WHICH WAS HELD IN MOSCOW, JANUARY 16-20. A LARGE SWEDISH IN-  
DUSTRIAL DELEGATION PARTICIPATED FOR THE FIRST TIME (SEE  
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REFTEL). INTERVIEWED BY SWEDISH JOURNALISTS IN MOSCOW AT THE  
CONCLUSION OF THE MEETING, SWEDISH INDUSTRY MINISTER NILS G.  
ASLING SAID HE CONSIDERED THE PRESENCE OF THE INDUSTRIAL  
DELEGATION TO HAVE BEEN A SUCCESS. "THIS BROUGHT A LOT  
MORE ATTENTION TO US, AND THE BUSINESSMEN WITH US WERE  
ABLE TO MEET HIGH LEVEL SOVIET REPRESENTATIVES," ASLING  
WAS QUOTED AS SAYING.

2. THE PRESS REPORTS SAY THE CHIEF TOPIC OF DISCUSSION WAS COLLABORATION WITHIN THE FORESTRY SECTOR, WHERE SWEDISH FIRMS REPORTEDLY HAVE A GOOD CHANCE OF ASSISTING IN MODERNIZING A SERIES OF FOREST INDUSTRY COMBINES. THE PAPERS SAY THREE PROJECTS, UNSPECIFIED, ARE INVOLVED. THEY ALSO SAY THAT THE SWEDES WILL BE TAKING PART IN A LARGE-SCALE FOREST FELLING PROJECT IN THE AUTONOMOUS REPUBLIC OF KOMI IN THE NORTH, WHICH WAS VISITED BY MINISTER ASLING.

3. WHAT THE SOVIET UNION IS PRIMARILY SEEKING AT THE MOMENT IS INDUSTRIAL PROCESSES THAT CAN INCREASE PRODUCTIVITY. THE COUNTRY REPORTEDLY HAS A TROUBLESOME SHORTAGE OF FOREIGN EXCHANGE AND FOR THE TIME BEING PREFERS TO INVEST IN MODERNIZING EXISTING PLANTS RATHER THAN BUILDING NEW ONES. THE PRESS REPORTS SAY THE RUSSIANS WERE VERY INTERESTED IN SWEDISH CARBIDE-TIPPED DRILLS, FOREST FELLING MACHINES, SPARE PARTS, ANTI-CORROSION PROCESSES, AND WELDING TECHNIQUES FOR THE POWER INDUSTRY.

4. THE FOOD INDUSTRY AND THE ENERGY SECTOR WERE ALSO DISCUSSED. SWEDISH FIRMS HAVE SHOWN INTEREST IN ENTERING THE SOVIET MARKET FOR BABY FOODS AND READY-COOKED ITEMS, AND FROZEN FOODS AND FOOD PACKAGING WERE FURTHER TOPICS

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ON THE AGENDA. AS TO ENERGY, THE SWEDES REITERATED THEIR INTEREST IN PURCHASING NATURAL GAS AFTER 1982. THE RUSSIANS REPORTEDLY GAVE THE EXPECTED REPLY TO THE EFFECT THAT SWEDEN WOULD BE GIVEN ALL DUE CONSIDERATION WHEN THE SOVIET UNION SEES THAT IT CAN EXPORT MORE NATURAL GAS. (COMMENT: MEMBER OF SWEDISH GROUP TOLD EMBOFF THERE WAS CLEAR RELUCTANCE ON PART OF SOVIETS TO COMMIT THEMSELVES TO NATURAL GAS EXPORTS. CONTACT BELIEVED SOVIETS HAVE SERIOUS DOUBTS ABOUT THEIR ABILITY TO EXPORT ENERGY OVER THE LONG TERM.)

5. IT SEEMS THAT THE SUBJECT OF COLLABORATION ON PROJECTS IN THIRD COUNTRIES HAS BEEN DISCUSSED FOR THE FIRST TIME. THE PRESS NOTICES DO NOT GO INTO MUCH DETAIL ON THIS INTERESTING ASPECT OTHER THAN TO INDICATE THAT SWEDISH FIRMS MIGHT, FOR INSTANCE, BECOME SUBCONTRACTORS IN LARGE-SCALE SOVIET CONSTRUCTION PROJECTS IN DEVELOPING COUNTRIES.

6. SWEDEN'S TRADE WITH THE SOVIET UNION IN THE FIRST THREE QUARTERS OF 1977 WAS IN DEFICIT BY SOME \$165 MILLION. SOVIET EXPORTS TO SWEDEN TOTALED ABOUT \$350

MILLION, ABOUT TWO-THIRDS OF WHICH WERE ACCOUNTED FOR BY PETROLEUM PRODUCTS.

7. SWEDEN ALSO CONCLUDED TRADE TALKS WITHIN THE FRAMEWORK OF AN EXISTING TRADE AGREEMENT WITH HUNGARY LAST WEEK. THE DISCUSSIONS, WHICH WERE HELD IN STOCKHOLM WITH CURT WIIK OF THE SWEDISH COMMERCE MINISTRY AND TIBOR MELEGA OF THE HUNGARIAN COMMERCE MINISTRY HEADING THEIR RESPECTIVE DELEGATIONS, RELATED TO VARIOUS QUOTAS AND THE NEW TRADE AGREEMENT WHICH WILL REPLACE THE CURRENT ONE AT THE END OF THIS YEAR.

8. HUNGARY IS ONE OF THE FEW EAST BLOC COUNTRIES WITH WHICH SWEDEN STILL HAS A TRADE SURPLUS. IN THE UNCLASSIFIED

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FIRST THREE-QUARTERS OF 1977, SWEDEN'S EXPORTS TO HUNGARY AMOUNTED TO ABOUT \$65 MILLION AND IMPORTS FROM HUNGARY TO ABOUT \$45 MILLION. SWEDEN'S TRADE WITH THE EAST BLOC AS A WHOLE, WHICH HAS TRADITIONALLY BEEN MORE OR LESS IN BALANCE, IS NOW SHOWING AN INCREASINGLY LARGE DEFICIT, MOVING FROM SOME \$4 MILLION IN THE FIRST THREE-QUARTERS OF 1976 TO ABOUT \$200 MILLION IN THE SAME PERIOD LAST YEAR.  
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